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THE NAKASONE ELECTION

SUMMARY

There is a widely held view that the nature of the Japanese system means that as long as the Liberal Democratic Party (LDP) is in power, Japan's policies will remain the same no matter who is prime minister. This is certainly a valid argument, considering the fact that the LDP has ruled the country since 1955 and has built a powerful network within the bureaucracy and the business community. With the resignation of Prime Minister Zenko Suzuki last fall, however, the political picture began to shift. The new prime minister, Yasuhiro Nakasone, has introduced a political style that the old guard is unaccustomed to, and has addressed a number of thorny domestic and foreign policy issues. This paper will examine the politics leading up to Mr. Nakasone's victory, his choice of Cabinet ministers, and the problems facing his government. The opinions in this report are those of the author.

Background ..

Prime Minister Zenko Suzuki, who displayed remarkable resilience for more than two years, surprised the nation with his announcement that he would not seek re-election. As prime minister, although he stumbled on a few diplomatic issues, Mr. Suzuki was given credit for cementing party unity, balancing factional appointees, and launching a vigorous campaign to streamline the government bureaucracy and reduce expenditures.¹ Few doubted that he would be re-elected president of the LDP in the November party election — a post which is tantamount to the premiership. Apparently, though, the prime minister felt that mounting criticism of both his domestic economic policies and his alliance with the powerful Tanaka faction posed the risk that his government was not likely to survive a second term. In the ensuing political vacuum (see JEI Report No. 43B, November 5, 1982), none of the factions had enough votes to assure their success. Senior

party leaders, who anticipated a fierce campaign and an enormous outlay of funds, hesitated to call a primary election. The possibility of the campaign's turning vicious also seemed likely, which would, in turn, invite public criticism of the party leadership. And they feared that the schism might weaken the party, leaving it vulnerable in the elections scheduled for 1983.

LDP politics are overwhelmingly influenced by the factional power balance within the party.² There are at present five major factions — none of which is dominant. Alliances on individual issues are therefore indispensable to assure successful results. When the issue is the succession to the premiership, the factional interaction becomes particularly unpredictable and intense. Four politicians readied primary campaigns:³ Toshio Komoto, director general of the Economic Planning Agency and leader of his own faction was a front runner; Yasuhiro Nakasone, leader of his own faction and director general of the Government Management Agency was a central figure in the government reform campaign; Shintaro Abe, a senior leader in the Fukuda faction, had served as Minister of International Trade and Industry, one of the posts considered to be a prerequisite for an aspiring prime minister; and Ichiro Nakagawa, director general of the Science and Technology Agency, who, while he had only 12 votes from his own faction, said that he did not expect to win the election but to consolidate his long-term power base.

Mr. Nakasone's next move was shrewd and timely. With the endorsement of both the Suzuki and Tanaka factions, he rejected Mr. Fukuda's proposal to separate the office of prime minister and party president. With the Tanaka faction's national political machine, he was assured of a relatively large share of LDP support. In contrast, the Komoto faction took for granted its control of party members. Mr. Abe, on the other hand, seemed overshadowed by Mr. Fukuda's political maneuvering, and Mr. Nakagawa was in any case only interested in enlarging his faction's size. The result was that the primary election, in which more than 90 percent of the one million party members voted by mail, was won by Mr. Nakasone with 57 percent of the total vote. Mr. Komoto trailed far behind with 27 percent; Mr. Abe with 8 percent and Mr. Nakagawa had less than 7 percent. As the clear victor, Mr. Nakasone was unchallenged in the final party election. Details of the vote and the election chronology are shown in Table 1.

At issue in the primary was the quality of leadership projected by the candidates, rather than their positions on specific issues. Although Mr. Nakasone emphasized government cutbacks and Mr. Komoto favored stimulative economic measures, the press reported that these divisions did not influence the voters. Ironically, the question of the Lockheed trial and Mr. Tanaka's political influence was ignored by party members, and criticism of Mr. Tanaka by the Komoto, Fukuda and Nakagawa factions worked to the advantage of the Tanaka-Suzuki-Nakasone alliance.

Election analyses show that nearly 80 percent of the voters were male, and two thirds were more than 50 years old. Twenty-five percent were engaged in agricultural pursuits and another 25 percent were owners of small businesses. The Nakasone campaign attracted the widest variety of party members, however, and was supported by a somewhat younger group of voters, with a range of occupations including middle management and white-collar workers.

The New Prime Minister

Yasuhiro Nakasone is a rare politician in the traditional Japanese sense. He is a powerful orator and stands in sharp contrast to the older style of leadership, whose chief concern was with party rivalries rather than public support. He is also one of the few politicians to understand the potential exposure offered by the media, and the first to take the initiative to communicate his political philosophy.

In "My Life in Politics," written in English for foreign government and press distribution, the new prime minister offers interesting insights into his generation. All the former prime ministers were men of the pre-war era. Mr. Nakasone, however, was only in his mid-20s when Japan surrendered to the Allied Forces in 1945. That experience convinced him that he and his generation would have to restore national pride and independence. Indeed, much of the impetus for Mr. Nakasone's political life seems to be his will to heal the wound.

The Cold War in 1950 heightened his international political consciousness. That year, for the first time, he traveled to Europe and the United States and began his campaign for a peace treaty that included the establishment of Japanese land, sea and air forces and a mutual defense agreement. His position today on these two issues is unchanged. "I cannot deny," Mr. Nakasone wrote, "[that] Japan's contributions to world peace have been far from adequate. Nor do I deny that its efforts on behalf of its own security and defense under the Japan-U.S. security system . . . have not been all that they could have been" But he does not challenge the basic defensive posture of his country: "Japan should content itself with a non-nuclear defense of its territories, air and sea. By no means should it seek to become a major military power."⁴

Mr. Nakasone continued his international education at Harvard University in 1953 where he attended a seminar led by Henry Kissinger. He admits that this experience influenced his subsequent political career and taught him the importance of viewing not only international but domestic problems in a multi-dimensional, global perspective.

That he intends to take a leading role in foreign policy is clear. He is deeply committed to the idea of Japan as a truly independent nation — a philosophy which by itself may face little opposition, but which will no doubt stir controversy since the implied definition includes a stronger defense capability. The FY 1983 budget, for example, which increased defense expenditures by 6.5 percent at a time when no increases were permitted for many items, has already sent shock waves around the country and Asia. Although the increase itself is not that impressive, the uneasiness it has generated stems not from the actual figure but rather from the perception that the prime minister is a man who intends to take the lead in building up Japan's defense forces.

Moreover, within the LDP, traditional politicians are suspicious of the new executive's conspicuous political style and his reputation for shifting his faction's support. Because of his shrewdness, however, his small faction has managed to survive, often through exerting a role as a lever in crucial decisions. As for the public, its reaction is still uncertain, but he is gradually emerging as a leader with a strong personality. Whether he will be able to capitalize on that impression will not be clear until the local and national elections are held during the spring and summer of this year. In yet another important respect, the prime minister's approach departs from tradition — that is Mr. Nakasone's willingness to discuss the issues with the public. At the outset, the prime minister said that he expected to depart from traditional practice, which calls for a minimum of public speaking so as to avoid controversy. So far, his views have stimulated

lively debate and predictably increased the criticism of opposition parties and interest groups. He brought a very sensitive subject into the open when, for example, he said that the taboo on exceeding 1 percent of the gross national product (GNP) for defense spending could change depending on the GNP figures.

The Cabinet

The reaction to the Cabinet appointments from other factions and from the press was sharp.⁵ They condemned the prime minister for relying on men from the Tanaka faction and contended that these appointees were intended to protect the accused former prime minister. The factional balance of the Cabinet, and a comparison to the Suzuki Cabinet is presented in Table 2. Suspicions centered on Akira Hatano, Minister of Justice, and Masaharu Gotoda, chief Cabinet Secretary. Another Tanaka confidant, Susumu Nikaido, was retained as Secretary General of the LDP. Altogether, six members of this faction received Cabinet posts -- the largest single group in the Cabinet. It was generally agreed that Mr. Tanaka's power was reinforced as a result of Mr. Nakasone's election. The names and positions of all Cabinet members are shown in Table 3.

Putting aside the political implications, the new ministers are considered able. One of the crucial issues -- government reform -- is a top priority of the new government, and Mr. Gotoda, the prime minister said, was asked to take the post of chief Cabinet Secretary mainly because it is instrumental in coordinating and negotiating with government agencies.

The business community is worried about the budget deficit and government expenditures. This group's primary interest is political stability, and that concern was laid to rest when Mr. Nakasone racked up a clear majority. The press, however, was not persuaded, and in fact predicted that the Nakasone government would be short-lived, although the tone of recent press coverage has changed. A very different view has begun to emerge, suggesting that perhaps Mr. Nakasone's strategy is to reduce the Tanaka faction's influence by appointing its members to this first Cabinet. It is quite possible, the thinking goes, that he might consolidate his power in a Cabinet reshuffle. In other words, he would schedule a national election for the House of Representatives this year, which would be quite compatible with Mr. Tanaka's strategy of holding on to power until the trial concludes. Since the LDP has ruled the country without interruption for almost thirty years, and every poll indicates that the public continues to prefer the LDP, Mr. Nakasone's reign might be quite long, these observers contend.

Leading Policy Questions

Major political and economic issues are at stake -- among them the budget deficit, the pledge to reduce government spending, international pressures from Japan's trading partners, and the still-unresolved question of defense.

Deficit Financing -- In FY 1979, the total issue of new bonds reached ¥15 trillion (\$65 billion), almost 40 percent of government expenditures. Despite pronouncements about strenuous efforts to cut bond issuance by FY 1984, the sluggish economy resulted in a ¥3-trillion (\$13 billion) tax shortfall in FY 1981 which had to be financed, and it is expected that the shortage will escalate to ¥6 trillion (\$26 billion) by the end of this fiscal year (March 31, 1983). There are three obvious approaches -- drastic spending cuts, tax increases or an expansion of bond borrowing. With elections coming up, raising taxes on personal and corporate incomes has grave political implications, even though the idea of other tax increases continues to be floated.

The FY 1983 budget (April 1, 1983 - March 31, 1984), which will be debated in the Diet over the next three months, calls for program cuts and a freeze on expenditures for many items⁶ (see JEI Report No. 2B, January 14, 1983). It continues attempts initiated by Prime Minister Suzuki to slash spending by streamlining the government through eliminating, merging and contracting bureaus and public corporations. The effectiveness of this campaign remains uncertain, however, as pressure from special-interest groups, including the deficit-ridden Japanese National Railways, is mounting. With the new prime minister determined to succeed in this instance, it remains to be seen whether progress will be made. The business sector can be expected to support the campaign, fearing that if this attempt fails, the combination of an increasing deficit and inflexible bureaucratic structure will result in continued poor economic performance. Under the current budget, there are no new departments, bureaus or special corporations -- the first such freeze in six years -- and 1,600 government jobs will be eliminated. (There are about 600,000 government employees in Japan.)

Trade, Defense Proposals -- Japan's increasing trade surpluses have triggered sharp criticism in the United States and Europe, and the imbalance has had severe repercussions in terms of the drift toward protectionism. Because of the danger of the trade issue spilling over to other areas, Mr. Nakasone is anxious to reach an accommodation with the United States and Europe, but his ability to override powerful domestic interest groups, particularly the farmers, is uncertain. Nokyo, the largest farmers' organization, has already collected more than six million signatures opposing liberalization of imports of oranges and beef.

The United States has held that Japan must assume a more active defense role in the Western alliance. Mr. Nakasone is very responsive to this approach, which as noted earlier has caused a political furor. Tokyo maintains, however, that its position is dictated by fundamental strategic considerations, not Pentagon pressures -- in which case the decision is all the more worrisome for critics of the prime minister. Observers note that congressional pressure on Japan's defense spending runs the risk of igniting resentment in Japan and working against constructive debate on long-term cooperation.

It is important to note that any enlargement of Japan's defense role will prompt a backlash from the Soviet Union, China, North Korea and Southeast Asia. The prevailing opinion in Southeast Asia is that Tokyo already has an excessively large economic presence. The implications of its becoming a substantial military power, even within the limitations of self-defense, has already revived bitter memories of World War II. Moreover, the Japanese seem to be unsure of themselves in this area, and there is a sharp split even among experts on the extent of the Soviet military threat in the Far East and appropriate security measures for Japan.

The View from Abroad

Because of Japan's global importance, the new prime minister has attracted a great deal of attention from the foreign press. He has been attacked by the Soviet Union and Eastern Europe for his anti-communist stance and advocacy of revived militarism. Asahi Shimbun, which conducted extensive interviews with Asian leaders, notes that in that region, defense tops the list of concerns.⁷ Malaysia's prime minister admitted that a weak Japan was an even more dangerous alternative, but, he said, Tokyo's defense capability should be confined to Japanese territory. Indonesia's Vice President Malik said that Southeast Asians are unanimous in opposing the rearming of Japan. If Mr. Nakasone does amend the Constitution and, with U.S. assistance, strengthens the defense forces, the Soviet Union and China would certainly see it as a grave threat, he argued. On the other hand, Singapore's Prime Minister Lee Kuan-yu told the press that power should be

balanced between the United States and Japan, and the Soviet Union and China. Unless Japan increases its defense role in proportion to the other powers, stability in the region will be threatened, he warned. Without exception, Asian leaders agreed that Japan's economic strength and technological expertise should be used to enhance development and narrow the economic gap to assure political stability in the region. However, as one leader admitted, "We are afraid of Japan."

Table 1

Chronology of the 1982 LDP Election

November 24 —	Election by registered party members.
November 25 —	Confirmation by LDP Diet members and local party representatives.
November 26 —	Election for prime minister at special session of the Diet.
November 26 —	Cabinet appointees announced.
November 27 —	Official confirmation by the Emperor. Cabinet meets.

Votes Cast in Primary

	<u>Total</u>	<u>Percent</u>
Yasuhiro Nakasone	559,673	57%
Toshio Komoto	265,078	28
Shintaro Abe	80,443	8
Ichiro Nakagawa	66,041	7
TOTAL	971,235*	

*The LDP has 1.04 million members.

Table 2

Party Membership in the House of Representatives, January 10, 1983

Liberal Democratic Party	284
Japan Socialist Party	104
Komeito	34
Democratic Socialist Party	31
Japan Communist Party	29
New Liberal Association	13
Independent	7
Vacancies	9

Factional Membership in the Nakasone and Suzuki Cabinets

	<u>Nakasone</u>	<u>Suzuki</u>
Tanaka Faction	6	4
Suzuki Faction	4	3
Nakasone Faction	2	3
Fukuda Faction	3	4
Komoto Faction	2	3
Nakagawa Faction	1	1
Independents and Minor Factions	2	2

Table 3

The Nakasone Cabinet, November 26, 1982

HR = House of Representatives
HC = House of Councillors

Prime Minister: Yasuhiro Nakasone, 64 years old, HR 14 terms.

Justice Minister: Akira Hatano, 71, HC 2 terms, (independent).

Foreign Minister: Shintaro Abe, 58, HR 8 terms, (Fukuda faction).

Finance Minister: Noboru Takeshita, 58, HR 9 terms, (Tanaka).

Education Minister: Mitsuo Setoyama, 78, HR 11 terms, (Fukuda).

Health and Welfare Minister: Yoshiro Hayashi, 55, HR 5 terms, (Tanaka).

Agriculture Minister: Iwazo Kaneko, 75, HR 9 terms, (Suzuki).

MITI Minister: Sadenori Yamanaka, 61, HR 11 terms, (Nakasone)

Transportation Minister: Takashi Hasegawa, 70, HR 10 terms, (Nakagawa).

Postal and Telecommunication Minister: Tokutaro Higaki, 66, HC 2, (Nakasone).

Labor Minister: Akira Ono, 54, HR 7 terms, (Chukan-ha).

Construction Minister: Hideo Utsumi, 60, HR 6 terms, (Tanaka).

Minister of Home Affairs: Sachio Yamamoto, 71, HR 5 terms, (Tanaka).

Chief Cabinet Secretary: Masaharu Gotoda, 68, HR 3 terms, (Tanaka).

Director General, Office of Prime Minister: Hyosuke Niwa, 71, HR 9, (Komoto).

Director General, Defense Agency: Kazuo Tanikawa, 52, HR 7 terms, (Komoto).

Director General, Government Management Agency: Kunikichi Saito, 73, HR 9 terms, (Suzuki).

Director General, Economic Planning Agency: Jun Shiozaki, 65, HR 5 terms, (Suzuki).

Director General, Science and Technology Agency: Takaaki Yasuta, 66, HC 3 terms, (Suzuki).

Director General, Environmental Agency: Matazo Kajiki, 63, HC 2 terms, (Tanaka).

Director General, National Land Agency: Mutsuki Kato, 65 HR 6 terms, (Fukuda).

Footnotes

¹See JEI Report No. 13A, April 2, 1982.

²See JEI Report No. 24, June 26, 1981.

³See JEI Report No. 43B, November 5, 1982.

⁴Yasuhiro Nakasone, "My Life in Politics," 1982.

⁵See Table 3.

⁶See JEI Report No. 2B, January 14, 1983, "Japan's Cabinet Approves FY 1983 Budget."

⁷Asahi Shimbun, January 1, 1983.

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Japan Announces New Market-Access Package

In a step designed to strengthen the liberal trading system and contribute to the expansion of the international economy, the government of Japan has announced a new round of unilateral market-access measures, together with a series of tariff reductions taken last December (see JEI Report No. 1B, January 7, 1983), designed to reduce or eliminate duties on farm commodities and industrial goods. The measures are not tied to explicit reciprocal swaps from Japan's trading partners, according to government spokesmen.

The new policy calls for specific tariff concessions and action to liberalize customs procedures, product standards, and testing criteria that restrict the import of goods into

Trade and Payments Data
(in millions of dollars unless otherwise indicated)

	1980	1981	January- November 1981	January- November 1982	September 1982	October 1982	November 1982
<u>Japan's Balance of Payments</u>							
Trade Balance	\$ 2,125	\$ 19,967	\$ 17,793	\$ 15,773*	\$ 2,426*	\$ 1,991*	\$ 292*
Exports (f.o.b.)	126,736	149,522	135,156	125,234*	11,650*	11,060*	9,988*
Imports (f.o.b.)	124,611	129,555	117,363	109,461*	9,224*	9,069*	9,696*
Current Account Balance	-10,746	4,770	3,637	5,110*	1,463*	1,429*	-833*
Long-Term Capital (net)	2,394	-6,449	-4,104	-14,689*	-416*	-291*	637*
Overall Balance	-8,396	-2,144	-1,846	-5,207	823	-73	1,610
International Reserves (end of period)	25,232	28,403	28,779	22,976	24,009	22,840	22,976
<u>Japan's Customs Clearance Trade</u>							
Trade Balance	-10,721	8,741	7,361	5,306*	1,554	978	-389*
Exports (f.o.b.)	129,807	152,030	137,604	126,284*	11,635	11,109	10,057*
Cars	16,115	18,445	16,817	16,469*	1,453	1,442	1,427*
Steel	15,454	16,669	14,903	14,412*	1,235	1,143	981*
Imports (c.i.f.)	140,528	143,290	130,243	120,978*	10,081	10,130	10,446*
Crude Oil	-52,763	53,343	48,389	42,218*	3,327	3,523	4,066*
<u>Japan-U.S. Trade</u>							
Trade Balance	6,959	13,312	11,969	11,235*	1,290	1,092	969*
Exports (f.o.b.)	31,367	38,609	34,775	33,333*	3,202	2,897	2,725*
Imports (c.i.f.)	24,408	25,297	22,806	22,098*	1,912	1,806	1,756*
<u>Yen-Dollar Exchange Rate</u>							
Tokyo Spot Market (end of period)	¥203.00	¥219.90	---	---	¥269.50	¥277.30	¥253.10
<u>U.S.-Japan Trade</u>							
Trade Balance	-9,911	-15,789	-14,853	-16,095	-1,336	-1,470	-880
Exports (f.a.s.)	20,790	21,823	19,758	19,163	1,568	1,804	1,815
Industrial Supplies	9,501	8,983	8,146	8,428	624	806	857
Food and Feed	5,393	5,896	5,468	4,582	434	430	407
Capital Goods	4,340	4,767	4,249	4,042	337	382	346
Consumer Goods	1,154	1,318	1,211	1,249	111	103	116
Imports (f.a.s.)	30,701	37,612	34,611	35,258	2,905	3,274	2,695
Automotive Products	11,436	12,950	11,923	11,980	920	1,154	892
Industrial Supplies	5,926	7,179	6,563	6,451	503	438	405
Consumer Goods	6,198	8,340	7,734	7,321	648	781	587
Capital Goods	6,555	8,589	7,918	8,861	783	854	765

*Preliminary

Japanese Economic Indicators

(percentage change from year-earlier period unless otherwise indicated)

	1980	1981	January- October 1981	January- October 1982	August 1982	September 1982	October 1982
<u>Discount Rate</u> (end of period)	7.25%	5.5%	6.25%	5.5%	5.5%	5.5%	5.5%
<u>Outstanding Money Supply</u>	8.5%	8.9%	8.6%	9.9%	8.9%	9.6%	9.2%
<u>Industrial Production</u>	7.0%	3.1%	2.6%	1.4%	1.5%	0.6%	-3.6%
<u>Manufacturing Operating Rate</u>	0.7%	-4.6%	-5.3%	-2.6%	-2.9%	-3.4%	-6.8%
<u>Number of Bankruptcies</u>	11.6%	-1.5%	-1.2%	-2.9%	-3.5%	-3.2%	-0.3%
<u>Residential Construction Starts</u>	-15.0%	-9.2%	-10.2%	-2.0%*	4.9%	6.9%	14.8%*
<u>Job Openings to Applications</u> (ratio)	0.75	0.68	0.68	0.61	0.58	0.59	0.58
<u>Nominal Wages</u>	6.3%	5.3%	5.0%	5.0%	8.0%	5.0%	4.8%
<u>Labor Productivity</u>	9.1%	3.5%	2.8%†	2.4%†	1.8%	n.a.	n.a.
<u>Wholesale Prices</u>	17.8%	1.7%	1.8%	1.9%	1.0%	1.4%	1.8%
<u>Consumer Prices</u>	8.0%	4.9%	5.1%	2.8%	3.1%	3.2%	3.1%
<u>Yen-Based Export Prices</u>	9.3%	1.9%	1.4%	3.9%	0.5%	1.2%	1.6%
<u>Yen-Based Import Prices</u>	43.0%	3.0%	2.4%	7.7%	6.0%	8.5%	10.2%

*Preliminary

†Through August of each year only.